Secrets. II—27—100,000—21-5-52.

FINANCE(AA)(1948) Department.

Ms SERIES.

G.O. No.	748
Dated	31-7-48

[Despatch Abstract.]

Audit adjustment and settlement of Transactions arising between the Province of Madras and the Government of Pakistan with effect from the 1st July 1948 - Procedure to be adopted..

Accountant-General's Office, Madras.

Sub: PROCEDURE for the adjustment and settlement of transactions arising between the Dominions of India and Pakistan with effect from the 1st July 1948.

The settlement of Inter-Dominion transactions were made hitherto through the agency of the Reserve Bank of India - vide paragraph 1 of Auditor General's Circular Letter No. 329-AC/84-47 dated the 14th August 1947 copy enclosed for reference. The Reserve Bank of India having ceased to function in Pakistan from the 1st July 1948, the Auditor General has prescribed a revised procedure of settlement of accounts on the basis of accepted inward and outward schedules exchanged between the Accounts Officers by actual payment by means of a demand draft in the case of Central (Civil) transactions. The same procedure has to be adopted in the case of transactions arising between this Province and Pakistan with the approval of Government. An extract of paragraphs 1 - 6 of Auditor General's Express Letter No. 497-AC/50-48 dated the 30th June 1948 is enclosed for the information of Government. The decision of the Government with reference to paragraph 6 of that letter may please be communicated urgently for necessary action.

Sd/
Deputy Accountant-General.

M,G.Finance U.O.
A-G,Madras U.O.No.TM-11-6/47-49/766 dated the 20th July 1948,

Extract of paragraph 1 of Auditor General's Letter No. 329-Ac/84-47 dated the 14th August 1947 to all Civil Accountants-General,etc.

Sub: PROCEDURE for the settlement of transactions between the Central and Provincial Governments in the Dominions of India and Pakistan after the 14th August 1947.

I have the honour to state that it has been decided that the Reserve Bank of India will, for the time being, carry on the general banking business of all the Provincial Governments as also of India and Pakistan Dominions from the 15th August 1947. Financial transactions arising between the two Dominions should with effect from that date, be settled accordingly to the procedure indicated below:-

1. ACCOUNTS IN INDIA: (1) Each office or Branch of the Reserve Bank situated in the Dominion of India, should keep, as at present, two separate accounts of the cash transactions undertaken by it on behalf of Government, one for the transactions of the Indian Dominion and the other for the transactions of the Province in which it it situated. Transactions which relate to the Dominion of Pakistan and the Provincial Governments in Pakistan areas, should be taken to account of the Government of the Province in which they occur; similarly each Branch of the Imperial Bank in the Indian Dominion, acting as the Agent of the Reserve Bank, should have two sets of accounts, one for the Dominion of India, and the other for the Province in which the Bank is situated, the latter embracing the transactions not only of the Province in which it is situated but also of the other Provinces in the Indian Dominion and of the Centre and Provinces in the Pakistan Dominion.

Transactions relating to the Pakistan Dominion and to the Provincial Governments in Pakistan area should be initially accounted for under the new major head mentioned below to be opened in the Deposit Section of the Accounts.

'Account with the Governments of Pakistan" with separate minor heads for each Government:-

(a) Dominion of Pakistan.
(b) Government of Sind and so on, and another for Pakistan Railway.

Manager Ac - Cash
General office, Madras.

(2) Transactions arising in Provincial non-banking treasuries should similarly be classified in the Treasury Accounts. All inter-Dominion transactions brought to account in a month in the treasury of Bank or in the various accounts and abstracts in the Accounts Offices should be brought together for the whole account circle and advised to the Reserve Bank in the manner indicated in Article 100 e Account Code - Volume IV; copies of advices, etc., being sent direct to the Accounts Officers concerned in the Pakistan Dominion.

(3) Transactions between the Dominion of India and the Governments in Pakistan area should be adjusted through an account current between the Accountant-General, Central Revenues and the Accountants-General in the Pakistan area. They should be initially accounted for under the major head "Accounts with the Government of Pakistan" (with separate sub-heads for each Government) opened in the Central Section of the accounts, and then advised to the Reserve Bank every month. A similar procedure should be followed by the Deputy Accountants-General (Industries and Supplies and Food) in respect of transactions arising in their books.

(4) The procedure for rendering accounts of Inter-Dominion transactions to the various Account Officers in Pakistan area and the Account adjustments to be made for the clearance of the transactions under the head "Accounts with the Governments of Pakistan" through the Bank will follow mutatis mutandis the procedure laid down in Articles 98,100,102 to 105 of the Account Code Volume IV for Inter Provincial transactions. The disposal of such accounts received from the Governments in Pakistan area will follow the procedure laid down in Article 108 Account Code Volume IV.

(5) Transactions relating to the Pakistan Governments arising in the Central (India) Section of the accounts in the books of the Provincial Accountants-General should be passed on to the Accountant-General, Central Revenues for adjustment with the Accountant-General, Pakistan Revenues. Defence Department transactions should similarly be settled through the Accountant-General, Central Revenues.

(6) The Accounts Officers in the Dominion of Pakistan Central and Provincial will follow a similar procedure for the adjustment of the transactions pertaining to the Central and Provincial Governments in the Dominion of India arising in their Account Circles. The corresponding heads through which they will adjust and settle these transactions are "Accounts with the Dominion of India" with separate sub-heads for the Central and each of the Provincial Governments in India.

The above procedure envisages monetary settlement with the Bank only once in a month. Should, however, the Governments of the two Dominions agree to settlement at more frequent intervals, say once a week, the Account Officers concerned will adopt a procedure analogous to that in Article 86 Account Code- Volume IV.

Transactions between Railways on the one side and the Pakistan Governments and their Railways on the other wise will be settled by the Railways ~~on the~~ Accounts Officer of the two Dominion Railways and the Accountant-General, Central Revenues and Pakistan Revenues. In this respect the existing procedure laid down in Chapter 13 of the Account Code will apply mutatis mutandis.

Similarly all Posts and Telegraphs transactions between India and Pakistan will be collected for the respective Dominions by Posts and Telegraphs Accounts Officers to be nominated in this behalf, who will arrange to have the monetary settlement carried out through the Accountant-General Central Revenues or the Accountant-General, Pakistan Revenues, as the case may be, in the usual way.

Sd — — —

Manager Accountant's

General's office, Madras.

Extracts of paragraphs 1 to 6 of Auditor-General's Letter No.497-Ac/50-48 dated the 30th June 1948.

Subject PROCEDURE for the adjustment and settlement of transactions arising between the Dominions of Indi and Pakistan with effect from 1st July 48

The accounting procedure indicated in paragraph 1 of Auditor-General's circular letter No.329-Ac/84-47 dated the 14th August 1947 for the settlement of Inter-Dominion transactions ceases to be operative with effect from the 1st July 1948, when the Reserve Bank of India ceases to function in Pakistan.

2. Transactions in regard to which it has been decided by Governments of the Dominions that moneys may be received or payments made in one Dominion on behalf of the other will with effect from 1st July 1948 be initially carried by the Accounts Officer of the Dominion in which the receipt of payment takes place against the balances of his own Government. Transactions relating to Pakistan arising in the books of the Accounts Officers in Idia should be accounted for under the major head "Accounts with the Government of Pakistan" in the Deposit Section of the Accounts. Amounts received from Account Officers in ~~India will~~ Pakistan in settlement of the claims by the Accounts Officers in India will be credited by the latter to the head "Accounts with the Government of Pakistan" in clearance of the net debit.

3. After the accounts for the month are closed each Account Officer in India will prepare and send to the Account Officer in Pakistan at whose instance money has been received or payment made, a Schedule of credits and debits supported by full details of receipts and vouchers and other particulars of payments. On receipt of a similar Schedule from the Account Officer in Pakistan the Account Officer in India will check the Schedule with the supporting vouchers etc. The settlement of the net amount payable or receivable should be on the basis of accepted inward and outward Schedules exchanged between the two Accounts Officers, the payment being made by means of a demand draft.

4. The check of the Schedules etc., should be completed within a period of one month of their receipt by the Account Officer and the demand draft for the net amount (if due to Pakistan) transmitted to the Originating Account Officer in Pakistan. If, for any reason, any items included in the monthly inward schedules cannot be completely checked within the prescribed period of one month, or the incidence of any item is in doubt, the Account Officer concerned should, nevertheless, provisionally accept the Schedule as a whole and carry out financial settlement on the basis of the net amount shown therein, leaving the items, disputed or doubtful ones, covered by the provisional settlement to be readjusted subsequently. The re-adjustment when necessary, should ordinarily be carried out within a period of two months following the month of acceptance of the Schedule by including the items in the outward Schedules in the usual way.

5. The procedure indicated in the foregoing paragraphs is designed primarily to regulate the initial adjustment and eventual clearance of all miscellaneous civil transactions of the Dominion (Central) Government of India. In regard to these transactions, besides the Accountant-General Central Revenues, the Accountant General, Food, Relief and Supply, will also be responsible for settling direct with the Accountant-General, Pakistan Revenues transactions which concern him. Central transactions arising in the Central Section of the books of the Provincial Accountants General will be passed on through the Exchange Account to the Accountant-General Central Revenues on whom will devolve the responsibility for settling these Central transactions.

6. As regards transactions arising between provinces in India and Pakistan, it will be open to the Provincial Accountants General concerned in India - with the approval of the respective Provincial Governments - to adopt mutatis mutandis the procedure prescribed above for Central (Civil) transactions, which represents the arrangement agreed to between the two Dominion Governments. If the Provincial Governments decide to fall into line with the Dominion Government, the major head "Accounts with the Government of Pakistan", with minor head "Provincial Government - Sin" etc., may be opened in the Provincial Section of the Accounts.

P.T.O

GOVERNMENT OF MADRAS
Abstract.
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AUDIT - Adjustment and settlement of transactions arising between the Province of Madras and the Government of Pakistan with effect from the 1st July 1948 - Procedure to be adopted.

Finance Department.

G.O. (Ms) No. 748. Dated, the 31st July 1948

READ - the following:-

From the Accountant-General, Madras, U.O. No.TM-11-6/47-49/766 dated the 20th July 1948.

ORDER:

His Excellency the Governor of Madras directs that the procedure prescribed by the Auditor-General of India for the settlement and adjustment of civil transactions arising between the Government of India and the Government of Pakistan with effect from the 1st July 1948 (vide paragraphs 2 to 5 of the Auditor-General's letter No. 497-Ac/50-48 dated the 30th June 1948) be adopted mutatis mutandis for the adjustment and settlement of transactions between the Government of Madras and the Government of Pakistan. The major head "Accounts with the Government of Pakistan" will accordingly be opened in the Deposit Section of the Provincial Accounts.

(By order of His Excellency the Governor)

T.N.S. RAGHAVAN
Secretary to Government.

To the Accountant-General, Madras.
To the Departments of the Secretariat.
To all Heads of Departments.

/True copy/

Superintendent,
Madras Record Office, Egmore.

Sk.

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